

**LUDLOW INDEPENDENT  
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2012**

**- WITH INDEPENDENT AUDITORS' REPORT -**

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Independent Auditors' Report

Members of the Board of Education  
Ludlow Independent School District  
525 Elm Street  
Ludlow, Kentucky 41016

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ludlow Independent School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

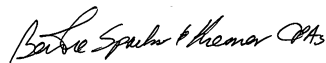
We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ludlow Independent School District, as of June 30, 2012, and the respective changes in financial position, respective budgetary comparison for the General Fund and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 7, 2012 on our consideration of the Ludlow Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 3 through 7, and Budgetary Comparison Information, on page 14, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Ludlow Independent School District's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Bertke, Sparks & Kremer, Inc.  
September 7, 2012

**LUDLOW INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE YEAR ENDED JUNE 30, 2012**

As management of the Ludlow Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- The beginning cash balance, including investments, for the District was \$739,776.
- Average Daily Attendance (ADA) for fiscal year 2012 was 775.20. Over the past three years we have had a decrease in ADA of 35. This is always an area of concern. If this trend continues the District will be forced to look at staffing levels, due to the fact that smaller classes are progressing to the high school
- The General Fund had \$6,619,796 in revenue (net of interfund transfers of \$98,840), which primarily consisted of the state program (SEEK), property taxes, local occupational license taxes, utilities taxes, and motor vehicle taxes. There was \$6,529,851 in General Fund expenditures (net of interfund transfers of \$15,958). Budgeted contingency funds were \$418,467 in the General Fund for 2012.
- The ending unassigned fund balance in the General Fund for fiscal year 2012 is \$1,349,461. This is an increase of \$202,809 from 2011. From year to year the state legislature is requiring the District to absorb more and more mandated expenses, while at the same time they continue to cut grant funding. During the 2012 fiscal year, we were able to end the year with a higher carry forward fund balance due to the EduJobs grant funding of over \$200,000.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**District-wide financial statements.** The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**LUDLOW INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**OVERVIEW OF FINANCIAL STATEMENTS (CONT'D)**

The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 8 and 9 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 10 through 19 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 33 of this report.

**DISTRICT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of a district's financial position. In the case of the District, assets exceeded liabilities by \$3,061,796 as of June 30, 2012.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**LUDLOW INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**DISTRICT-WIDE FINANCIAL ANALYSIS (CONT'D)**

**Net Assets for the periods ending June 30, 2012 and 2011**

The following is a summary of net assets for the fiscal years ended June 30, 2012 and 2011.

	<b>2012</b>	<b>2011</b>
Current assets	\$ 1,920,211	\$ 1,833,211
Non-current assets	<u>4,966,043</u>	<u>5,274,229</u>
<b>Total assets</b>	<b><u>\$ 6,886,254</u></b>	<b><u>\$ 7,107,440</u></b>
Current liabilities	\$ 461,915	\$ 533,977
Non-current liabilities	<u>3,362,543</u>	<u>3,671,301</u>
<b>Total liabilities</b>	<b><u>\$ 3,824,458</u></b>	<b><u>\$ 4,205,278</u></b>
<b>Net assets</b>		
Investment in capital assets (net of debt)	\$ 1,462,710	\$ 1,432,182
Restricted	325,502	393,355
Committed	95,900	120,380
Assigned	-	5,502
Unassigned	<u>1,177,684</u>	<u>950,743</u>
<b>Total net assets</b>	<b><u>\$ 3,061,796</u></b>	<b><u>\$ 2,902,162</u></b>

**Comments on Budget Comparisons**

- The District's total General Fund revenues for the fiscal year ended June 30, 2012, including interfund transfers of \$98,840, were \$6,718,636.
- General Fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$1,852,941 more than budget or approximately 38.08% of the General Fund budget. The majority of this variance is the result of the District recording "on behalf" payments made by the state.
- The total cost of all General Fund programs and services was \$6,545,809 including debt service.
- General Fund actual expenditures exceeded budgeted expenditures by \$417,904. The majority of this variance is the result of the District recording "on behalf" payments made by the state.



**LUDLOW INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**DISTRICT-WIDE FINANCIAL ANALYSIS (CONT'D)**

The following table presents a summary of revenue and expense for the fiscal years ended June 30, 2012 and 2011.

	<b>2012</b>	<b>2011</b>
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 150,912	\$ 155,465
Operating grants and contributions	1,406,042	1,558,264
Capital grants and contributions	<u>240,836</u>	<u>250,420</u>
Total grant revenues	<u>1,797,790</u>	<u>1,964,149</u>
General revenues:		
Property taxes	1,895,719	1,893,973
Grants and entitlements	4,801,480	4,513,459
Earnings on investments	18,277	32,372
Miscellaneous	<u>68,828</u>	<u>61,896</u>
Total general revenues	<u>6,784,304</u>	<u>6,501,700</u>
Total revenues	<u>8,582,094</u>	<u>8,465,849</u>
<b>Expenses:</b>		
Instruction	4,932,363	5,024,173
Student support services	294,695	297,624
Instructional support	520,596	640,097
District administration	528,441	577,810
School administration	502,789	472,245
Business support	177,677	124,671
Plant operations	760,609	751,947
Student transportation	52,710	53,107
Central office support	-	-
Facilities acquisition and construction	-	-
Other	3,405	3,405
Community support	81,119	83,870
Food service	490,764	444,227
Interest	<u>77,292</u>	<u>89,538</u>
Total expenses	<u>8,422,460</u>	<u>8,562,714</u>
<b>Excess (deficit) of revenues over expenses</b>	<u>\$ 159,634</u>	<u>\$ ( 96,865)</u>

**LUDLOW INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**BUDGETARY IMPLICATIONS**

Ludlow Independent School District administered federal and state grant funds totaling \$715,449. Below is a three year comparison of our federal and state grant funds:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
State Grants	\$ 243,762	\$ 242,866	\$ 236,044
Federal Grants	\$ 471,687	\$ 741,247	\$ 797,480

The Kentucky State Legislature has used American Recovery and Reinvestment Act (ARRA) funds to fill the lack of funding provided in the SEEK formula. The last allocation of ARRA funding is the Education Jobs Act (EduJobs), while it was allocated in fiscal year 2011 we, as a District, chose to expend these funds in 2012. The use of this funding source (EduJobs) helped account for the increase in our carry forward. However, there has been no offer for ARRA funding for the 2013 fiscal year and therefore the general fund budget has been adjusted accordingly to account for the loss of funding.

The working budget contingency balance in the General Fund for fiscal year 2012 was \$418,467 (7.3%). The Kentucky Department of Education mandates a minimum 2.0% contingency for budgeting purposes. The District's contingency balance decreased from 2011 to 2012 by \$141,081. While the contingency balance is a good reflection of how the District is fairing it is not the only factor. Although our increase in beginning carry forward balance for 2013 is higher than the 2012 balance, our current overall budget has accounted for the loss of ARRA funding. Due to the stress of implementing mandated curriculum changes will continually have to look at different ways to accomplish the high standards we set for ourselves.

Fiscal year 2012 is already upon us and we are doing our best to balance the financial outlook with what is best for the students of Ludlow Independent School District.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

Questions regarding this report should be directed to Mr. Michael Borchers, Superintendent (859) 261-8210 or by mail at Ludlow Independent School District, 525 Elm St., Ludlow, KY 41016.

**LUDLOW INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS - DISTRICT WIDE  
AS OF JUNE 30, 2012**

	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash and cash equivalents	\$ 680,844	\$ 41,223	\$ 722,067
Investments	1,064,114	-	1,064,114
Accounts receivable	110,393	8,990	119,383
Inventories for consumption	-	14,647	14,647
Total current	<u>1,855,351</u>	<u>64,860</u>	<u>1,920,211</u>
<b>NONCURRENT</b>			
Bond issuance costs, net	39,122	-	39,122
Nondepreciated capital assets:			
Land	391,300	-	391,300
Depreciated capital assets:			
Land improvements	112,189	-	112,189
Buildings and improvements	8,228,318	-	8,228,318
Furniture and equipment	1,556,824	120,667	1,677,491
Less: accumulated depreciation	<u>(5,412,351)</u>	<u>(70,026)</u>	<u>(5,482,377)</u>
Total noncurrent	<u>4,915,402</u>	<u>50,641</u>	<u>4,966,043</u>
Total assets	<u><u>\$ 6,770,753</u></u>	<u><u>\$ 115,501</u></u>	<u><u>\$ 6,886,254</u></u>
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Current portion of bonds payable	\$ 288,818	\$ -	\$ 288,818
Accounts payable	31,493	33	31,526
Accrued interest	7,635	-	7,635
Accrued sick leave	16,448	-	16,448
Accrued payroll and related expenses	24,549	-	24,549
Deferred revenues	<u>92,939</u>	<u>-</u>	<u>92,939</u>
Total current	<u>461,882</u>	<u>33</u>	<u>461,915</u>
<b>NONCURRENT</b>			
Accrued sick leave	148,028	-	148,028
Bond obligations	<u>3,214,515</u>	<u>-</u>	<u>3,214,515</u>
Total noncurrent	<u>3,362,543</u>	<u>-</u>	<u>3,362,543</u>
Total liabilities	<u>3,824,425</u>	<u>33</u>	<u>3,824,458</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,412,069	50,641	1,462,710
Restricted for:			
Net assets	-	64,827	64,827
Capital projects	260,675	-	260,675
Committed			
Site base carryforward	13,662	-	13,662
Accrued sick leave	82,238	-	82,238
Unassigned	<u>1,177,684</u>	<u>-</u>	<u>1,177,684</u>
Total net assets	<u>2,946,328</u>	<u>115,468</u>	<u>3,061,796</u>
Total liabilities and net assets	<u><u>\$ 6,770,753</u></u>	<u><u>\$ 115,501</u></u>	<u><u>\$ 6,886,254</u></u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**LUDLOW INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES - DISTRICT WIDE  
FOR THE YEAR ENDED JUNE 30, 2012**

FUNCTION/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS - TYPE ACTIVITIES	TOTAL
<b>Governmental Activities:</b>							
Instructional	\$ 4,932,363	\$ 19,739	\$ 794,254	\$ -	\$ (4,118,370)	\$ -	\$ (4,118,370)
Student support services	294,695	-	42,134	-	(252,561)	-	(252,561)
Staff support services	520,596	-	91,811	-	(428,785)	-	(428,785)
District administration	528,441	-	2,461	-	(525,980)	-	(525,980)
School administration	502,789	-	-	-	(502,789)	-	(502,789)
Business support services	177,677	-	44,215	-	(133,462)	-	(133,462)
Plant operation and maintenance	760,609	-	-	-	(760,609)	-	(760,609)
Student transportation	52,710	-	-	-	(52,710)	-	(52,710)
Other	3,405	-	-	-	(3,405)	-	(3,405)
Community service operations	81,119	-	80,784	-	(335)	-	(335)
Facility acquisition and construction	-	-	-	240,836	240,836	-	240,836
Interest on long-term debt	77,292	-	-	-	(77,292)	-	(77,292)
Total governmental activities	7,931,696	19,739	1,055,659	240,836	(6,615,462)	-	(6,615,462)
<b>Business-type Activities</b>							
Food service	490,764	131,173	323,752	-	-	(35,839)	(35,839)
Total business-type activities	490,764	131,173	323,752	-	-	(35,839)	(35,839)
Total school district	<u>\$ 8,422,460</u>	<u>\$ 150,912</u>	<u>\$ 1,379,411</u>	<u>\$ 240,836</u>	<u>\$ (6,615,462)</u>	<u>\$ (35,839)</u>	<u>\$ (6,651,301)</u>
<b>General revenues:</b>							
Taxes					\$ 1,895,719	\$ -	\$ 1,895,719
State aid formula grants					4,801,480	-	4,801,480
Investment earnings					17,968	309	18,277
Principal payments made by KSFCC					64,465	-	64,465
Miscellaneous					7,698	-	7,698
Special items:							
Loss on disposal of assets					(3,335)	-	(3,335)
Transfers					24,441	(24,441)	-
Total general and special revenues					6,808,436	(24,132)	6,784,304
Change in net assets					192,974	(59,971)	133,003
Net assets - beginning					2,753,354	148,808	2,902,162
Net assets - ending					<u>\$ 2,946,328</u>	<u>\$ 88,837</u>	<u>\$ 3,035,165</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**LUDLOW INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2012**

	<b>GENERAL FUND</b>	<b>SPECIAL REVENUE FUND</b>	<b>CONSTRUCTION FUND</b>	<b>OTHER GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b>ASSETS</b>					
<b>CURRENT</b>					
Cash and cash equivalents	\$ 405,963	\$ 13,872	\$ 219,722	\$ 41,287	\$ 680,844
Investments	1,064,114	-	-	-	1,064,114
Accounts receivable	30,369	80,024	-	-	110,393
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total current	\$ 1,500,446	\$ 93,896	\$ 219,722	\$ 41,287	\$ 1,855,351
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>CURRENT</b>					
Accounts payable	\$ 30,536	\$ 957	\$ -	\$ -	\$ 31,493
Accrued payroll and related expenses	24,549	-	-	-	24,549
Deferred revenues	-	92,939	-	-	92,939
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total current	55,085	93,896	-	-	148,981
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>FUND BALANCE</b>					
Restricted					
KSFCC Escrow	-	-	-	40,953	40,953
Capital Projects	-	-	219,722	-	219,722
Committed					
Accrued sick leave	82,238	-	-	-	82,238
Assigned					
Site based carryforward	13,662	-	-	-	13,662
Purchase obligations	-	-	-	-	-
Unassigned	1,349,461	-	-	334	1,349,795
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balance	1,445,361	-	219,722	41,287	1,706,370
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balance	\$ 1,500,446	\$ 93,896	\$ 219,722	\$ 41,287	\$ 1,855,351
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**LUDLOW INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2012**

Total governmental fund balance		\$ 1,706,370
Amounts reported for governmental activities in the statement of net assets are different because:		
Bond issuance costs		39,122
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Construction in progress	-	
Cost of capital assets	10,288,631	
Accumulated depreciation	<u>(5,412,351)</u>	4,876,280
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds payable		(3,503,333)
Accrued interest on bonds		(7,635)
Accrued sick leave		<u>(164,476)</u>
Total net assets - governmental		<u><u>\$ 2,946,328</u></u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**LUDLOW INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<b>GENERAL FUND</b>	<b>SPECIAL REVENUE FUND</b>	<b>CONSTRUCTION FUND</b>	<b>OTHER GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b>REVENUES:</b>					
Taxes	\$ 1,772,911	\$ -	\$ -	\$ 122,808	\$ 1,895,719
Earnings on investments	17,968	-	-	-	17,968
State sources	4,798,280	249,788	-	240,836	5,288,904
Federal sources	3,200	740,052	-	-	743,252
Other sources	27,437	65,819	-	-	93,256
Total revenues	6,619,796	1,055,659	-	363,644	8,039,099
<b>EXPENDITURES:</b>					
Instructional	3,953,174	810,212	-	-	4,763,386
Student support services	252,561	42,134	-	-	294,695
Staff support services	428,211	91,811	-	-	520,022
District administration	509,730	2,461	-	-	512,191
School administration	457,773	44,215	-	-	501,988
Business support services	175,337	-	-	-	175,337
Plant operation and maintenance	692,021	-	-	-	692,021
Student transportation	39,771	-	-	-	39,771
Central office	-	-	-	-	-
Community service operations	-	80,784	-	-	80,784
Facility acquisition and construction	-	-	-	-	-
Debt service:					
Principal	18,714	-	-	255,535	274,249
Interest	2,559	-	-	76,376	78,935
Total expenditures	6,529,851	1,071,617	-	331,911	7,933,379
Excess(deficit) of revenues over expenditures	89,945	(15,958)	-	31,733	105,720
<b>Other financing sources(uses):</b>					
Proceeds from sale of bonds	-	-	-	-	-
Proceeds from insurance	-	-	-	-	-
Operating transfers in	98,840	15,958	-	-	114,798
Operating transfers out	(15,958)	-	-	(74,399)	(90,357)
Total other financing sources(uses)	82,882	15,958	-	(74,399)	24,441
Net change in fund balance	172,827	-	-	(42,666)	130,161
Fund balance, July 1, 2011	1,272,534	-	219,722	83,953	1,576,209
Fund balance, June 30, 2012	\$ 1,445,361	\$ -	\$ 219,722	\$ 41,287	\$ 1,706,370

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**LUDLOW INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

Net changes - governmental funds	\$	130,161
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Amounts reported for governmental activities in the statement of net assets are different because:

Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital exceeds depreciation expense for the year.

Depreciation expense	(355,459)		
Retirement of capital assets	(3,335)		
Construction in process	-		
Capital outlays	<u>62,500</u>		(296,294)

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets however issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Principal paid	<u>338,714</u>		338,714
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Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.

		<u>20,393</u>
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Changes in net assets of governmental activities	\$	<u><u>192,974</u></u>
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**LUDLOW INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
<b>REVENUES:</b>				
Taxes	\$ 1,589,522	\$ 1,589,522	\$ 1,772,911	\$ 183,389
Other local sources	6,000	6,000	45,405	39,405
State sources	3,214,173	3,214,173	4,798,280	1,584,107
Federal sources	-	-	3,200	3,200
Other sources	56,000	56,000	98,840	42,840
	<u>4,865,695</u>	<u>4,865,695</u>	<u>6,718,636</u>	<u>1,852,941</u>
Total revenues				
<b>EXPENDITURES:</b>				
Instruction	3,216,634	3,216,634	3,953,174	(736,540)
Student support services	203,180	203,180	252,561	(49,381)
Staff support services	421,769	421,769	428,211	(6,442)
District administration	469,891	469,891	509,730	(39,839)
School administration	389,422	389,422	457,773	(68,351)
Business support services	172,768	172,768	175,337	(2,569)
Plant operation and maintenance	747,358	747,358	692,021	55,337
Student transportation	50,067	50,067	39,771	10,296
Central office	-	-	-	-
Community service operations	-	-	-	-
Facility acquisition and construction	-	-	-	-
Other	456,816	456,816	37,231	419,585
	<u>6,127,905</u>	<u>6,127,905</u>	<u>6,545,809</u>	<u>(417,904)</u>
Total expenditures				
Net change in fund balance	(1,262,210)	(1,262,210)	172,827	1,435,037
Fund balance, July 1, 2011	1,262,210	1,262,210	1,272,534	10,324
Fund balance, June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,445,361</u>	<u>\$ 1,445,361</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**LUDLOW INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
AS OF JUNE 30, 2012**

	<b>FOOD SERVICE</b>	<b>TOTAL</b>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 41,223	\$ 41,223
Accounts receivable	8,990	8,990
Inventories for consumption	14,647	14,647
Total current	64,860	64,860
<b>NONCURRENT</b>		
Furniture and fixtures	120,667	120,667
Less: accumulated depreciation	(70,026)	(70,026)
Total noncurrent	50,641	50,641
Total assets	\$ 115,501	\$ 115,501
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable	\$ 33	\$ 33
Total current	33	33
<b>NET ASSETS</b>		
Invested in assets, net of debt	50,641	50,641
Restricted - net assets	64,827	64,827
Total net assets	115,468	115,468
Total liabilities and net assets	\$ 115,501	\$ 115,501

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**LUDLOW INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
NET ASSETS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

	<b>FOOD SERVICE</b>	<b>TOTAL</b>
<b>OPERATING REVENUES:</b>		
Lunchroom sales	\$ 125,631	\$ 125,631
Other operating revenues	5,542	5,542
	<hr/>	<hr/>
Total operating revenues	131,173	131,173
	<hr/>	<hr/>
<b>OPERATING EXPENSES:</b>		
Salaries and benefits	208,451	208,451
Contract services	464	464
Materials and supplies	263,885	263,885
Depreciation	10,977	10,977
Other operating expenses	6,987	6,987
	<hr/>	<hr/>
Total operating expenses	490,764	490,764
	<hr/>	<hr/>
Operating loss	(359,591)	(359,591)
	<hr/>	<hr/>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Federal grants	298,641	298,641
State grants	25,111	25,111
Donated commodities and other donations	26,631	-
Transfers	(24,441)	(24,441)
Loss on disposal of capital assets	-	-
Interest income	309	309
	<hr/>	<hr/>
Total non-operating revenue	326,251	326,251
	<hr/>	<hr/>
Net loss	(33,340)	(33,340)
	<hr/>	<hr/>
Total net assets, July 1, 2011	148,808	148,808
	<hr/>	<hr/>
Total net assets, June 30, 2012	<u>\$ 115,468</u>	<u>\$ 115,468</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**LUDLOW INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

	<b>FOOD SERVICE FUND</b>	<b>TOTAL</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from lunchroom sales	\$ 125,631	\$ 125,631
Cash received from other activities	5,542	5,542
Cash payments to employees for services	(208,451)	(208,451)
Cash payments to suppliers for goods and services	(248,514)	(248,514)
Cash transfers	(24,441)	(24,441)
Net cash used in operating activities	(350,233)	(350,233)
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Acquisition of capital assets	(2,490)	(2,490)
Net cash used in capital financing activities	(2,490)	(2,490)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Non-operating revenues received	354,258	354,258
Net cash from noncapital financing activities	354,258	354,258
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	309	309
Net cash flows from investing activities	309	309
Net increase in cash and cash equivalents	1,844	1,844
Cash and cash equivalents - beginning	39,379	39,379
Cash and cash equivalents - ending	\$ 41,223	\$ 41,223
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating loss	\$ (359,591)	\$ (359,591)
<b>ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Depreciation	10,977	10,977
Interfund transfers	(24,441)	(24,441)
Changes in assets and liabilities:		
Decrease in inventory	25,668	25,668
(Decrease) in accounts payable	(2,846)	(2,846)
Net cash used in operating activities	\$ (350,233)	\$ (350,233)
<b>SCHEDULE OF NON-CASH TRANSACTIONS:</b>		
Donated commodities received from federal government	\$ 26,631	\$ 26,631

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**LUDLOW INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS - FIDUCIARY FUNDS  
AS OF JUNE 30, 2012**

	<u>TRUST/AGENCY FUND</u>	<u>TOTAL</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 85,555	\$ 85,555
Total current assets	<u>85,555</u>	<u>85,555</u>
<b>NONCURRENT</b>		
Capital assets	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>-</u>	<u>-</u>
Total assets	<u><u>\$ 85,555</u></u>	<u><u>\$ 85,555</u></u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Total current	<u>\$ -</u>	<u>\$ -</u>
<b>NONCURRENT</b>		
Total noncurrent	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
<b>NET ASSETS</b>		
<b>RESTRICTED</b>	74,673	74,673
<b>UNRESTRICTED</b>	<u>10,882</u>	<u>10,882</u>
Total net assets	<u>85,555</u>	<u>85,555</u>
Total liabilities and net assets	<u><u>\$ 85,555</u></u>	<u><u>\$ 85,555</u></u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**LUDLOW INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>TRUST/AGENCY FUND</u>	<u>TOTAL</u>
<b>ADDITIONS</b>		
Investment income	\$ 83	\$ 83
Private donations	<u>18,449</u>	<u>18,449</u>
Total additions	<u>18,532</u>	<u>18,532</u>
<b>DEDUCTIONS</b>		
Scholarships awarded	-	-
Instruction	<u>22,801</u>	<u>22,801</u>
Total deductions	<u>22,801</u>	<u>22,801</u>
Change in net assets	(4,269)	(4,269)
Net assets - July 1, 2011	<u>89,824</u>	<u>89,824</u>
Net assets - June 30, 2012	<u><u>\$ 85,555</u></u>	<u><u>\$ 85,555</u></u>

(See Auditor's Report and Accompanying Notes to the Financial Statements)

**LUDLOW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**REPORTING ENTITY**

The Ludlow Independent Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Ludlow Independent School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Ludlow Independent Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Ludlow Independent School District Finance Corporation - The Board authorized the establishment of the Ludlow Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Ludlow Independent Board of Education also comprise the Corporation's Board of Directors.

**Basis of Presentation**

District-wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The district-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

**LUDLOW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Basis of Presentation (cont'd)

The district-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus.

The District has the following funds:

**I. Governmental Fund Types**

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the schedule of expenditures of federal awards included in this report on page 39. This is a major fund of the District.



**LUDLOW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Basis of Presentation (cont'd)

I. Governmental Fund Types (cont'd)

(C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.
2. The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

II. Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

III. Proprietary Fund (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). The Food Service fund is a major fund of the District.

IV. Fiduciary Fund Type (includes agency and trust funds)

The Trust/Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with Uniform Program of Accounting for School Activity Funds.

The District applies all Governmental Accounting Standards Board (GASB) pronouncements to proprietary funds as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

**LUDLOW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

**LUDLOW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water and natural, artificial and mixed gas.

In addition, the District levies an occupational license tax of .5% on salaries, wages, commissions, and other compensation of residents of the District who work and perform services in the county.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP) of the United States of America. The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

Supplies and materials are charged to expenditures when purchased, except for inventories in the Proprietary Fund, which are capitalized at the lower of cost or market.

**LUDLOW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the district-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<b><u>Description</u></b>	<b><u>Governmental Activities Estimated Lives</u></b>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Other	10 years

**Accumulated Unpaid Sick Leave Benefits**

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's experience of making termination payments. The entire compensated absence liability is reported on the district-wide financial statements.

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**LUDLOW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

Beginning with fiscal year 2011, the District implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance - amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint.

Assigned fund balance - amounts the District intends to use for specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority.

Unassigned fund balance - amounts that are available for purpose; positive amounts are reported only in the General fund.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

Encumbrances are not liabilities and are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance in the governmental funds balance sheet.

**LUDLOW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**NOTE B - ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE C - CASH AND CASH EQUIVALENTS**

At year end, the District had on deposit cash and cash equivalents totaling \$1,070,983. Of the total cash balance, \$250,000 was covered by Federal Depository Insurance Corporation (FDIC), with the remainder covered by a collateral agreement and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Cash and cash equivalents at June 30, 2012 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Bank of Kentucky	\$ 1,070,983	\$ 896,977

Allocation per financial statements:

Governmental funds	\$ 680,844
Proprietary funds	41,223
Trust/Agency funds	85,555
Activity funds	89,355
	<hr/>
	\$ 896,977

**LUDLOW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE D - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

<u>Governmental Activities</u>	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
Land	\$ 391,300	\$ -	\$ -	\$ 391,300
Land improvements	112,189	-	-	112,189
Buildings and improvements	8,228,318	-	-	8,228,318
Technology equipment	1,116,563	57,174	18,744	1,154,993
Vehicles	192,115	-	-	192,115
General equipment	204,390	5,326	-	209,716
Totals at historical cost	10,244,875	62,500	18,744	10,288,631
Less: accumulated depreciation				
Land improvements	84,663	2,609	-	87,272
Buildings and improvements	3,921,649	214,045	-	4,135,694
Technology equipment	884,154	106,098	15,409	974,843
Vehicles	46,572	20,961	-	67,533
General equipment	135,263	11,746	-	147,009
Total accumulated depreciation	5,072,301	355,459	15,409	5,412,351
Governmental activities capital assets - net	<u>\$ 5,172,574</u>	<u>\$ (292,959)</u>	<u>\$ 3,335</u>	<u>\$ 4,876,280</u>
<u>Business - Type Activities</u>				
General equipment	\$ 61,212	\$ -	\$ -	\$ 61,212
Buildings and improvements	51,659	-	-	51,659
Technology equipment	5,306	2,490	-	7,796
Totals at historical cost	118,177	2,490	-	120,667
Less: accumulated depreciation				
General equipment	50,950	2,636	-	53,586
Buildings and improvements	3,690	7,380	-	11,070
Technology equipment	4,409	961	-	5,370
Total accumulated depreciation	59,049	10,977	-	70,026
Business - type activities capital assets - net	<u>\$ 59,128</u>	<u>\$ (8,487)</u>	<u>\$ -</u>	<u>\$ 50,641</u>

**LUDLOW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE E - LEASE OBLIGATIONS AND BONDED DEBT**

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued.

The original amount of each issue, the issue date, and interest rates are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
March 1, 1998	\$ 1,270,000	4.00%-4.65%
July 30, 2003	\$ 405,000	3.00%
May 1, 2006	\$ 1,085,000	3.65%-4.30%
July 1, 2007	\$ 425,000	3.00%-4.10%
December 1, 2007	\$ 915,000	3.00%-3.75%
March 1, 2009	\$ 1,200,000	2.10%-3.30%
December 1, 2009	\$ 135,959	1.00%-3.00%

The District, through the General Fund (including The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Ludlow Independent School District Finance Corporation to construct school facilities.

The District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. Note O sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal has been recorded in the financial statements.

All issues may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2012, for debt service (principal and interest) are reported on Note O.

**NOTE F - ACCUMULATED UNPAID SICK LEAVE BENEFITS**

Upon providing proof of qualification as an annuitant from the Kentucky Teachers' Retirement System, a certified employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2012, this amount totaled \$164,477 for those certified employees over the age of fifty or having 27 or more years of experience. The board has reserved \$82,238 of its general fund for unpaid sick leave benefits.



**LUDLOW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE G- RETIREMENT PLANS**

Kentucky Teachers Retirement System

Certified employees participate in the Kentucky Teachers' Retirement System (KTRS), a cost sharing, multiple-employer retirement system created by and maintained by Kentucky legislature. KTRS provides retirement, death and disability benefits to Plan members.

Plan members are required to contribute 10.355% of their annual creditable compensation. Members hired on or after July 1, 2008 pay an additional .5% of their salary to the medical insurance fund. Matching contributions are made by the state in the form of on behalf payments. The District is required to remit matching contributions on those school district employees whose salaries are paid by federally programs. This federal matching rate is 13.605% for employees hired before July 1, 2008 and 14.105% for employees hired after July 1, 2008. The contribution requirement for KTRS for the year ended June 30, 2012, was \$510,828, which consisted of \$78,412 from the District and \$432,416 from the employees. Total contributions for the year ended June 30, 2011 and 2010 were \$510,458 and \$477,157, respectively. The contributions have been contributed in full for fiscal years 2012, 2011 and 2010.

County Employees Retirement System

Classified employees who work an average of 80 hours per month over the actual days worked during the school year participate in the County Employees Retirement System (CERS). This is a cost sharing, multiple-employer, public employers retirement plan created and maintained by Kentucky legislature and provides retirement, death and disability benefits to Plan members.

Participating employees contribute 5% of creditable compensation. Participants hired after August 31, 2008 are required to contribute 6%. Matching contributions are made by the state at a rate as required by the Board of Trustees to be necessary for the actuarial soundness per Kentucky Revised Statute 61.565. The contribution requirement for CERS for the year ended June 30, 2012, was \$202,483, which consisted of \$160,239 from the District and \$42,244 from the employees. Total contributions for the year ended June 30, 2011 and 2010 were \$186,048 and \$177,707, respectively. The contributions have been contributed in full for fiscal years 2012, 2011 and 2010.

The District's total payroll for the year was \$5,052,795. The payroll for employees covered under KTRS was \$4,132,256 and for CERS was \$845,139.

Benefits under both plans will vary based on final compensation, years of service, and other factors as fully described in the plan documents.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits which is adjusted for the effects of projected salary increases and step-rate benefits that are estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

KTRS and CERS do not make separate measurements of assets and pension benefit obligations for individual employers. KTRS and CERS both issue a publicly available financial report that includes all financial statements and required supplementary information. The reports can be obtained in writing from the Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601-3800 and the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, KY 40601.

**LUDLOW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE H- CONTINGENCIES**

Grant Fund Approval

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue the programs.

**NOTE I- INSURANCE AND RELATED ACTIVITIES**

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated, which includes worker's compensation insurance.

**NOTE J- RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District purchases unemployment and workers' compensation insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**LUDLOW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE K - DEFICIT OPERATING/FUND BALANCES**

There are no funds of the District that currently have a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance:

Food Service	\$	33,340
Ludlow High School	\$	13,713
Building Fund	\$	10,950
Capital Outlay Fund	\$	31,716
Trust and Agency Fund	\$	4,269

**NOTE L - COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

**NOTE M - TRANSFER OF FUNDS**

The following transfers were made during the year.

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	51	1	Indirect Costs	\$ 24,441
Operating	310	1	Operating	\$ 73,782
Operating	1	2	Matching	\$ 15,958
Operating	320	1	Operating	\$ 617

**NOTE N - ON-BEHALF PAYMENTS**

For the year ended June 30, 2012 total payments of \$1,218,830 were made for life insurance, health insurance, KTRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities.

General Fund	\$	1,198,360
Food Service Fund		20,470
		<hr/>
Total On-Behalf Payments	\$	<u>1,218,830</u>

**LUDLOW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE O - MATURITY OF GENERAL LONG-TERM OBLIGATIONS**

<u>1998, 2003, 2006, 2007, 2007B, 2009 and 2009R Issues</u>					
<u>FISCAL YEAR</u>	<u>LUDLOW INDEPENDENT SCHOOL DISTRICT</u>		<u>KY SCHOOL FACILITIES CONSTRUCTION COMMISSION</u>		<u>TOTAL REQUIREMENTS</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	
2012-2013	\$ 223,796	\$ 70,589	\$ 65,022	\$ 56,016	\$ 415,423
2013-2014	228,620	63,717	70,600	53,469	416,406
2014-2015	233,429	56,325	76,224	50,684	416,662
2015-2016	243,229	48,406	76,873	47,768	416,276
2016-2017	257,992	39,684	82,548	44,738	424,962
2017-2018	266,733	30,414	83,267	41,506	421,920
2018-2019	235,984	21,533	84,016	38,178	379,711
2019-2020	50,204	16,417	89,796	34,720	191,137
2020-2021	49,392	14,359	95,608	31,020	190,379
2021-2022	53,527	12,285	96,473	27,155	189,440
2022-2023	52,625	10,036	102,375	23,155	188,191
2023-2024	56,685	7,826	103,315	18,993	186,819
2024-2025	60,683	5,389	109,317	14,641	190,030
2025-2026	64,637	2,779	115,363	10,040	192,819
2026-2027	-	-	95,000	5,190	100,190
2027-2028	-	-	80,000	1,630	81,630
	<u>\$ 2,077,536</u>	<u>\$ 399,759</u>	<u>\$ 1,425,797</u>	<u>\$ 498,903</u>	<u>\$ 4,401,995</u>

**NOTE P - SUBSEQUENT EVENTS**

Subsequent events were considered through November 15, 2012, which represents the date of release of our report.

**LUDLOW INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2012**

	<b>CAPITAL OUTLAY FUND</b>	<b>BUILDING FUND</b>	<b>TOTAL NONMAJOR GOVERNMENT FUNDS</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash and cash equivalents	\$ 32,701	\$ 8,586	\$ 41,287
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total current	<u>\$ 32,701</u>	<u>\$ 8,586</u>	<u>\$ 41,287</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ -	\$ -	\$ -
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total current	<u>-</u>	<u>-</u>	<u>-</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>FUND BALANCES</b>			
Restricted:			
KSFCC Escrow	32,701	8,252	40,953
Unassigned	-	334	334
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balance	<u>32,701</u>	<u>8,586</u>	<u>41,287</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities and fund balance	<u>\$ 32,701</u>	<u>\$ 8,586</u>	<u>\$ 41,287</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**LUDLOW INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<b>CAPITAL OUTLAY FUND</b>	<b>BUILDING FUND</b>	<b>TOTAL NONMAJOR GOVERNMENT FUNDS</b>
<b>REVENUES:</b>			
Taxes	\$ -	\$ 122,808	\$ 122,808
Earnings on investments	-	-	-
State sources	79,788	161,048	240,836
Federal sources	-	-	-
Other sources	-	-	-
Total revenues	<u>79,788</u>	<u>283,856</u>	<u>363,644</u>
<b>EXPENDITURES:</b>			
Instructional	-	-	-
Student support services	-	-	-
Staff support services	-	-	-
District administration	-	-	-
School administration	-	-	-
Business support services	-	-	-
Plant operation and maintenance	-	-	-
Student transportation	-	-	-
Central office	-	-	-
Community service operations	-	-	-
Facility acquisition and construction	-	-	-
Debt service:			
Principal	25,000	230,535	255,535
Interest	<u>12,722</u>	<u>63,654</u>	<u>76,376</u>
Total expenditures	<u>37,722</u>	<u>294,189</u>	<u>331,911</u>
Excess (deficit) of revenues over expenditures	<u>42,066</u>	<u>(10,333)</u>	<u>31,733</u>
<b>OTHER FINANCING SOURCES(USES):</b>			
Proceeds from sale of bonds	-	-	-
Proceeds from sale of assets	-	-	-
Operating transfers in	-	-	-
Operating transfers out	<u>(73,782)</u>	<u>(617)</u>	<u>(74,399)</u>
Total other financing sources(uses)	<u>(73,782)</u>	<u>(617)</u>	<u>(74,399)</u>
Net change in fund balance	(31,716)	(10,950)	(42,666)
Fund balance, July 1, 2011	<u>64,417</u>	<u>19,536</u>	<u>83,953</u>
Fund balance, June 30, 2012	<u>\$ 32,701</u>	<u>\$ 8,586</u>	<u>\$ 41,287</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**LUDLOW INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
BOND AND INTEREST REDEMPTION FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>ISSUE OF 1998</u>	<u>ISSUE OF 2003</u>	<u>ISSUE OF 2006</u>
<b>Cash at July 1, 2011</b>	\$ -	\$ -	\$ -
<b>Receipts:</b>			
Transfers and miscellaneous deposits	219,999	33,916	27,503
<b>Disbursements:</b>			
Bonds paid	215,000	25,000	535
Interest coupons	4,999	8,916	26,968
Transfers and miscellaneous	-	-	-
Call fee	-	-	-
Total disbursements	219,999	33,916	27,503
Excess of receipts over disbursements	-	-	-
<b>Cash at June 30, 2012</b>	-	-	-
<b>Accounts Receivable and Payable:</b>			
Matured interest and bonds outstanding	-	-	-
Due from other funds	-	-	-
Due to other funds	-	-	-
Total accounts receivable and payable	-	-	-
<b>Fund balance at June 30, 2012</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>ISSUE OF 2009R</u>	<u>ISSUE OF 2009</u>	<u>Total</u>
<b>Cash at July 1, 2011</b>	\$ -	\$ -	\$ -
<b>Receipts:</b>			
Transfers and miscellaneous deposits	21,273	50,493	353,184
<b>Disbursements:</b>			
Bonds paid	18,714	15,000	274,249
Interest coupons	2,559	35,493	78,935
Transfers and miscellaneous	-	-	-
Call fee	-	-	-
Total disbursements	21,273	50,493	353,184
Excess of receipts over disbursements	-	-	-
<b>Cash at June 30, 2012</b>	-	-	-
<b>Accounts Receivable and Payable:</b>			
Matured interest and bonds outstanding	-	-	-
Due from other funds	-	-	-
Due to other funds	-	-	-
Total accounts receivable and payable	-	-	-
<b>Fund balance at June 30, 2012</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**LUDLOW INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES**  
**LUDLOW HIGH SCHOOL ACTIVITY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<b>FUND BALANCE JULY 1, 2011</b>	<b>RECEIPTS</b>	<b>DISBURSEMENTS</b>	<b>FUND BALANCE JUNE 30, 2012</b>
7th and 8th grade cheerleading	\$ 20	\$ 638	\$ 658	\$ -
ACT	-	900	832	68
Athletic A.D.	552	30,537	28,823	2,266
Band	2,170	9,069	9,659	1,580
Band soft drinks	15	2,690	-	2,705
Baseball	380	1,375	1,755	-
Book rental	172	5,480	5,451	201
Boy's basketball	245	8,700	8,896	49
Central office	921	1,932	967	1,886
Class of 2010	-	166	166	-
Class of 2011	1,849	-	1,849	-
Class of 2012	1,846	3,547	4,478	915
Class of 2013	1,376	10,916	10,479	1,813
Class of 2014	276	-	134	142
Class of 2015	-	500	166	334
Drama club	1,042	1,117	1,289	870
FBLA	61	1,063	768	356
FCA	605	341	582	364
Football	9,922	27,542	32,116	5,348
Girl's basketball	5,771	24,963	27,388	3,346
Holding	-	4,420	4,420	-
HS Cheerleading	3,926	15,115	16,386	2,655
J Logan Memorial Fund	4,381	-	2,900	1,481
Library	1,556	499	1,344	711
Library store	1,366	108	-	1,474
Life Skills	135	625	260	500
Literary magazine	32	-	-	32
Ludlow Christian scholarship	19,857	4,869	3,000	21,726
March madness	290	481	612	159
Middle school drama	986	618	886	718
Middle school basketball	-	3,537	3,365	172
Middle school football	-	1,000	-	1,000
National Honor Society	5,677	5,268	6,395	4,550
Postage	253	-	-	253
Principal's office	1,091	4,404	4,946	549
SADD	636	681	934	383
Soccer	19	1,541	1,440	120
Softball	260	3,255	3,408	107
Spirit Shop	1,156	2,937	2,223	1,870
Staff generated	333	30	102	261
Student Council	3,628	3,027	6,376	279
Student fees	825	8,511	8,956	380
Teacher Miscellaneous	-	1,421	896	525
Technology	3,330	2,323	3,702	1,951
Track	1,265	2,549	3,169	645
Travel club	801	-	-	801
Volleyball	796	6,301	6,363	734
Yearbook	3,371	3,503	3,673	3,201
Total	<u>\$ 83,193</u>	<u>\$ 208,499</u>	<u>\$ 222,212</u>	<u>\$ 69,480</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)



**LUDLOW INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

	<u><b>LUDLOW ELEMENTARY SCHOOL</b></u>	<u><b>TOTAL</b></u>
Fund balance at July 1, 2011	\$ 13,227	\$ 13,227
Add: receipts	38,518	38,518
Less: disbursements	<u>(31,870)</u>	<u>(31,870)</u>
Fund balance at June 30, 2012	<u><u>\$ 19,875</u></u>	<u><u>\$ 19,875</u></u>

(See Auditor's Report and Accompanying Notes to the Financial Statements)

**LUDLOW INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

	<b>CFDA NUMBER</b>	<b>PASS- THROUGH GRANTOR'S NUMBER</b>	<b>EXPENDITURES</b>	<b>PROGRAM/ CLUSTER TOTAL</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed through the Kentucky Department of Education:</i>				
Title I Cluster:				
Title I - Grants to Local Educational Agencies	84.010	3100002 11	\$ 235,462	
Title I - Grants to Local Educational Agencies	84.010	3100002 10	43,449	\$ 278,911
Title II - Improving Teacher Quality State Grant	84.367	3230002 11	44,451	44,451
Education Technology Cluster:				
Education Technology State Grant - Recovery Act	84.386	4210002 09	3,948	
Education Technology State Grant	84.318	3210002 10	412	4,360
Education Jobs Fund	84.410	EJOB00 10	210,950	210,950
Career and Technical Education - Basic Grants to States	84.048	4621032 09	389	389
Special Education Cluster:				
Special Education Grants to States	84.027	3810002 11	181,088	
Special Education Grants to States	84.027	3810002 10	11,498	
Special Education Preschool Grants	84.173	3800002 10	8,404	200,990
<b>Total U.S. Department of Education</b>			<b>740,051</b>	<b>740,051</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed through the Kentucky Department of Education:</i>				
Child Nutrition Cluster:				
National School Lunch Program	10.555	7750002 12	184,525	
National School Lunch Program	10.555	7750002 11	40,913	
School Breakfast Program	10.553	7760005 12	44,241	
School Breakfast Program	10.553	7760005 11	9,530	
Summer Food Service Program for Children	10.559	7691024 10	2,212	
Summer Food Service Program for Children	10.559	7740023 11	21,095	
<i>Passed through the Kentucky Department of Agriculture:</i>				
National School Lunch Program - Food Donation	10.555	059-0203	26,631	329,147
<b>Total U.S. Department of Agriculture</b>			<b>329,147</b>	<b>329,147</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 1,069,198</b>	<b>\$ 1,069,198</b>

**LUDLOW INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Ludlow Independent School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE B – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed.

**LUDLOW INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**SUMMARY OF AUDITORS' RESULTS**

1. The Independent Auditors' Report expresses an unqualified opinion on the basic financial statements of the Ludlow Independent School District.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of the Ludlow Independent School District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 for Ludlow Independent School District expresses an unqualified opinion on all major federal programs.
6. The audit did not disclose any findings reportable under section 510(a) of OMB Circular A-133.
7. The programs tested as major programs include: Education Technology State Grant, CFDA #84.318; Education Technology State Grant – Recovery Act, CFDA #84.386; Education Jobs Fund, CFDA #84.410; Special Education Grants to States, CFDA #84.027; Special Education Preschool Grants, CFDA #84.173; National School Lunch Program, CFDA #10.555; School Breakfast Program, CFDA #10.553 and Summer Food Service Program for Children, CFDA #10.559
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Ludlow Independent School District does not qualify as a low-risk auditee.

**FINDINGS – FINANCIAL STATEMENTS AUDIT**

None

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

None

**LUDLOW INDEPENDENT SCHOOL DISTRICT  
BOARD MEMBERS AND ADMINISTRATIVE PERSONNEL  
JUNE 30, 2012**

**BOARD MEMBERS**

Ms. Cindy Powell, Chairperson  
Term Expires December 31, 2012

Mr. William McMillen - Vice Chair  
Term Expires December 31, 2014

Mr. Steve Chapman  
Term Expires December 31, 2014

Ms. Kym King  
Term Expires December 31, 2012

Ms. Amy Hayden  
Term Expires December 31, 2014

**ADMINISTRATIVE PERSONNEL**

Mr. Michael Borchers  
Superintendent

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS**

Members of the Board of Education  
Ludlow Independent School District  
525 Elm Street  
Ludlow, Kentucky 41016

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ludlow Independent School District as of and for the year ended June 30, 2012, which collectively comprise the Ludlow Independent School District's basic financial statements and have issued our report thereon dated September 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report.

**Internal Control Over Financial Reporting**

Management of Ludlow Independent School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Ludlow Independent School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ludlow Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Ludlow Independent School District's internal control over financial reporting.


A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Ludlow Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in Appendix II of the Independent Auditor's Contract – State Audit Requirements.

This report is intended solely for the information of the audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, likely reading "Bertke, Sparks & Kremer, Inc.", followed by a stylized monogram or initials.

Bertke, Sparks & Kremer, Inc.  
September 7, 2012

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON  
EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

Members of the Board of Education  
Ludlow Independent School District  
525 Elm Street  
Ludlow, Kentucky 41016

**Compliance**

We have audited Ludlow Independent School District's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Ludlow Independent School District's major federal programs for the year ended June 30, 2012. Ludlow Independent School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Ludlow Independent School District's management. Our responsibility is to express an opinion on Ludlow Independent School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ludlow Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Ludlow Independent School District's compliance with those requirements.

In our opinion, Ludlow Independent School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.



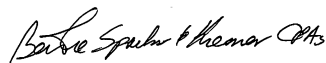
## **Internal Control Over Compliance**

Management of Ludlow Independent School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Ludlow Independent School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ludlow Independent School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the audit committee, management, federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.



Bertke, Sparks & Kremer, Inc.  
September 7, 2012

**LUDLOW INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

In planning and performing our audit of the financial statements of Ludlow Independent School District for the year ended June 30, 2012, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

This letter does not affect our report dated September 7, 2012, on the financial statements of the Ludlow Independent School District.

**CURRENT YEAR RECOMMENDATIONS**

**CENTRAL OFFICE**

Any exceptions noted during testing appeared to be isolated incidents only.

**ACTIVITY FUNDS**

**Ludlow High School**

Any exceptions noted during testing appeared to be isolated incidents only.

**Ludlow Elementary School**

Any exceptions noted during testing appeared to be isolated incidents only.

**STATUS OF PRIOR YEAR RECOMMENDATIONS**

**CENTRAL OFFICE**

None

**ACTIVITY FUNDS**

**Ludlow High School**

None

**Ludlow Elementary School**

Condition: Receipts are not being consistently being issued and accounted for.

Recommendation: A single receipt book, with pre-numbered duplicate receipts should be used and a receipt should be issued for every transaction. A multiple receipt form may be used in certain situations (i.e. fundraisers, field trips, etc) with a pre-numbered receipt issued for the total on the multiple receipt form when the money is turned in for deposit.

Response: Currently receipts are being consistently accounted for per the audit recommendation.